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STATE OF MONTANA
DEPARTMENT OF BUSINESS REGULATION
REPORT ON AUDIT
Conducted Under Contract By
Vern Hoven and Company, CPA's
Fiscal Year Ended June 30, 1976



OFFICE OF THE LEGISLATIVE AUDITOR
STATE OF MONTANA
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STATE OF MONTANA
DEPARTMENT OF BUSINESS REGULATION
REPORT ON AUDIT
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Fiscal Year Ended June 30, 1976

OVERVIEW

AUDIT OF DEPARTMENT OF BUSINESS REGULATION

December 1976

INTRODUCTION

The audit on the Department of Business Regulation was a financial/compliance audit. The purpose of the audit was to determine whether the financial statements were fairly presented for the audit period, to review and test the Department's system of internal accounting controls and procedures and to determine whether the Department has complied with the applicable state laws and regulations.

The audit covered fiscal year ended June 30, 1976 and resulted in an unqualified opinion on the financial statements. An unqualified opinion means that there have been no unsolvable restrictions on the scope of auditor's examinations and no significant exceptions as to the accounting principles reflected in the financial statements, the consistency of their applications, and adequacy of information disclosures in the financial statements.

There are eleven recommendations attached to the audit report. These recommendations were discussed with the Department chairman and he concurred with all but one of the recommendations, the exception dealing with providing of transfer receipts between employees. The Department has already taken action on many of these recommendations.

SYNOPSIS OF MAJOR FINDINGS

There are several areas of major findings presented in the audit report.

ACCOUNTING PROCEDURES AND INTERNAL CONTROL

The Department has effective accounting procedures and for the most part, an excellent internal control of its cash and assets. Technical improvements would be made in the area of cash receipts, and endorsements on payroll warrants.

The Department concurred, with one exception. It is the Department's feeling that the Montana Administrative Manual (2-1210.28) gives the Department an option on department to department transfer of receipts. We did not feel the manual gives that option.

COMPLIANCE WITH APPLICABLE STATE LAWS & REGULATIONS

Statutory requirements of the four divisions are in the hundreds with only four possible exceptions found. Most of our recommendations centered in compliance with the statutes. Some of these statutory requirements were found to be unnecessary or outdated by both the auditor and the Department.

CONCLUSION

The Department of Business Regulation should be commended for its governmental organization, operation, efficiency and responsiveness to the needs of the people of Montana.

STATE OF MONTANA

Office of the Legislative Auditor



STATE CAPITOL
HELENA, MONTANA 59601
406/449-3122

MORRIS L. BRUSETT
LEGISLATIVE AUDITOR

November 23, 1976

DEPUTY LEGISLATIVE AUDITORS:

JOSEPH J. CALNAN
ADMINISTRATION AND
PROGRAM AUDITS

ELLEN FEAVER
FINANCIAL-COMPLIANCE AND
CONTRACTED AUDITS

STAFF LEGAL COUNSEL
JOHN W. NORTHEY

The Legislative Audit Committee
of the Montana State Legislature:

Transmitted herewith is the report on the audit of the Department
of Business Regulation for the year ended June 30, 1976.

The audit was conducted by Vern Hoven and Company, CPA's, under a
contract between the firm and our office. The comments and recommen-
dations contained in this report represent the views of the firm and not
necessarily the Legislative Auditor.

The agency's written response to the report recommendations is
included in the back of the audit report.

Respectfully submitted,

Morris L. Brusett

Morris L. Brusett, C.P.A.
Legislative Auditor

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SUMMARY OF RECOMMENDATIONS

As a separate section in the front of each audit report we include a listing of all recommendations together with a notation as to whether the agency concurs or does not concur with each recommendation. This listing serves as a means of summarizing the recommendations contained in the report and the audited agency's reply thereto and also as a ready reference to the supporting comments. The full reply of the Department of Business Regulation is included in the back of this report.

	<u>Page</u>
In accordance with the Montana Administrative Manual (Chapter 2-1210.28) transfer receipts are to be utilized when collections are transferred from employee to employee. We would at least encourage this be done between division transfers.	1
<u>Agency Reply:</u> The agency believes it is complying. See page 16.	
Criteria listed in the Montana Administrative Manual (Chapter 2-1210.22) regarding frequency of deposits should be complied with.	1
<u>Agency Reply:</u> Concur. See page 16.	
All divisions of the agency should obtain prenumbered receipt books and issue proper receipts for all cash collections.	2
<u>Agency Reply:</u> Concur. See page 16.	
The appropriate agency officials analyze this fee and pursue changes through proper channels as deemed necessary.	2
<u>Agency Reply:</u> Concur. See page 16.	
Appropriate officials of the agency present the confirmation request form to the Department of Administration for possible statewide application.	2
<u>Agency Reply:</u> Concur. See page 16.	
All employees' personnel records should be reviewed for completeness and accuracy on an annual basis.	3
<u>Agency Reply:</u> Concur. See page 16.	
All warrants should be delivered directly to all employees and all employees should be encouraged to properly endorse warrants to assure proper delivery.	3
<u>Agency Reply:</u> Concur. See page 16.	

SUMMARY OF RECOMMENDATIONS (Continued)

	<u>Page</u>
Analysis of the continuance of this statute should be presented to the legislature by the agency.	5
<u>Agency Reply:</u> Concur. See page 16.	
The establishment of these rules and regulations should be continued through implementation.	5
<u>Agency Reply:</u> Concur. See page 16.	
This practice of giving extensions be ceased.	6
<u>Agency Reply:</u> The agency conceives continuing to give consideration to future short term extensions. See page 16.	
This practice of deferring fines be ceased.	6
<u>Agency Reply:</u> The agency feels good judgment must be exercised over the absolute letter of the law. See page 17.	

Vernon Hoven & Company
CERTIFIED PUBLIC ACCOUNTANTS
1008 SOUTH AVE. W. P. O. BOX 3508
MISSOULA, MONTANA 59801

VERNON HOVEN, C.P.A.
GARY HILLS, C.P.A.

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MEMBERS OF
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The Legislative Audit Committee
of the Montana State Legislature
State Capital Building
Helena, MT 59601

We have examined the financial statements of the various funds of the Department of Business Regulation of the State of Montana for year ended June 30, 1976, as listed in the foregoing table of contents. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The Department of Business Regulation has not maintained a record of its general fixed assets and, accordingly, a statement of general fixed assets, required by generally accepted accounting principles, is not included in the accompanying financial statement.

In our opinion, the financial statements listed in the aforementioned table of contents present fairly the financial position of such funds at June 30, 1976, and the results of operations of such funds for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Missoula, MT
September 21, 1976



DEPARTMENT OF BUSINESS REGULATION OF THE
STATE OF MONTANA

COMMENTS AND RECOMMENDATIONS

June 30, 1976

ACCOUNTING PROCEDURES AND INTERNAL CONTROL

CASH RECEIPTS AND REVENUES

1. As required by the Montana Administrative Manual, the agency has properly assigned the functions of handling cash receipts and has established a proper segregation of duties. However, when collections are transferred from employee to employee, no documentation is prepared.

RECOMMENDATION: In accordance with the Montana Administrative Manual (chapter 2-1210.28) transfer receipts are to be utilized when collections are transferred from employee to employee. We would at least encourage this be done between division transfers.

2. One division of the agency is depositing cash receipts weekly without regard to the amount of the total collections accumulated.

RECOMMENDATION: Criteria listed in Montana Administrative Manual (chapter 2-1210.22) regarding frequency of deposits should be complied with.

3. Only one of the divisions is properly issuing pre-numbered receipts for all cash collections.

RECOMMENDATION: All divisions of the agency should obtain pre-numbered receipt books and issue proper receipts for all cash collections.

4. The milk control board issues an annual license for milk producers and distributors as required by R.C.M., Title 27-409 at a cost of \$2.00. In terms of administrative functions such as paper, postage and personnel, the agency costs per license are in excess of the \$2.00 license fee being received.

RECOMMENDATION: The appropriate agency officials analyze this fee and pursue changes through proper channels as deemed necessary.

EMPLOYEE LEAVE

1. The agency employs a very effective annual leave balance control. The centralized services administrator submits written negative confirmations of leave balances to employees who then respond if a discrepancy exists between their records and the balances as shown by centralized services.

RECOMMENDATION: Appropriate officials of the agency present the confirmation request form to the Department of Administration for possible statewide application.

PAYROLL

1. PERSONNEL RECORDS

Personnel records were found to be, on the whole, complete and in order. It was discovered, though, that one personnel record sampled had no W-4 filed. In addition, exceptions were found in analyzing original employee authorizations for payroll deductions of: life insurance, United Givers, and credit unions.

RECOMMENDATION: All employees' personnel records should be reviewed for completeness and accuracy on an annual basis.

2. ENDORSEMENTS ON PAYROLL WARRANTS

Endorsements on many sampled payroll warrants were found to be missing. In addition, it was observed that a secretary was depositing other employees' warrants for them when they were out of town. The Department was not delivering directly to the employee and subsequently the warrants had no proper endorsements.

RECOMMENDATION: All warrants should be delivered directly to all employees and all employees should be encouraged to properly endorse warrants to assure proper delivery.

OTHER RECOMMENDATIONS

INTRODUCTION

Two major requirements set forth by the Legislative Audit Committee in this audit were: (1) examine the financial statements for fair presentation and (2) determine whether the agency is carrying out those activities or programs authorized by the Legislature and whether it is complying with applicable state laws and regulations.

Our study and evaluation of applicable laws, rules and regulations would not necessarily disclose all compliance requirements. In addition, it is not within the scope of an auditors expertise to judge if hearings and cases are being properly conducted according to the administrative procedures governing those bodies.

In addition to laws, rules, and regulations, we also enclose under this section recommendations which we feel identify, but do not necessarily develop, areas of possible uneconomical, inefficient or ineffective agency operations.

This study and evaluation disclosed the following conditions that we believe merit attention.

FINANCIAL DIVISION

1. RCM Section 7-138 requires the department to annually report to the Governor the conduct of Building & Loan Associations and to tabulate a statement on those associations. It is not being done.

RECOMMENDATION: Analysis of the continuance of this statute should be presented to the legislature by the agency.

2. RCM Sections 14-609, 14-612, and 14-613, which became effective July 1, 1975, requires the department to promulgate rules and regulations on the conduct of credit unions such as: establishing minimum insurance coverage amounts, maintenance of accounting systems and retention time of records. It is our understanding that the department is in the process of establishing these rules and regulations.

RECOMMENDATION: The establishment of these rules and regulations should be continued through implementation.

3. RCM Section 14-610 requires credit unions to report to the director annually on or before February 1. The administrator of financial division has, on occasion, granted extensions for filing of this report. We feel the administrator exceeded his legislative authority in granting extensions.

RECOMMENDATION: This practice of giving extensions be ceased.

MILK CONTROL DIVISION

1. RCM Code Section 27-409 requires a 30% delinquency fee be assessed. To reinstate a terminated license, the administrator of the Milk Control Division stated this fine is assessed upon judgment of the administrator; that is the fine is not assessed in certain cases. We feel the administrator exceeded his legislative authority in deferring these fines.

RECOMMENDATION: This practice of deferring fines be ceased.

FINAL COMMENTS

The Department of Business Regulation was created by the Executive Reorganization Act of 1971. The Office of the Legislative Auditor performed an audit of the Department for the fiscal year June 30, 1972, wherein the Department was heavily criticized for many varied inefficiencies. Mr. Harold Pitts was appointed the new director in January, 1973 and he subsequently appointed the Administrator of Centralized Services, Mrs. Isabelle Pistelak, in July, 1973. Out of this background of reorganization and ensuing disorganization, Mr. Pitts and his five administrators have created an agency that is now a model of governmental organization, operation, efficiency and responsiveness to the needs of the people of Montana.

Organization of work flow, information filing and retrieval, employee morale and efficiency are just some of the areas we rated superior. Much credit should be given to the administrative ability and guidance supplied by the director, Mr. Harold Pitts, and his able Administrator of Centralized Services, Mrs. Isabelle Pistelak.

We have never observed in the governmental sector and seldom observed in the private sector an organization of this caliber.

FINANCIAL STATEMENTS

DEPARTMENT OF BUSINESS REGULATION

COMBINED BALANCE SHEET
June 30, 1976

<u>ASSETS & OTHER ASSETS</u>	<u>General Fund</u>	<u>Business Regulation (ERA)</u>	<u>Food Distributors (ERA)</u>	<u>Milk Control (ERA)</u>	<u>Trustee Accounts Held Outside State Treasury</u>
Cash in Treasury	\$	\$37,224	\$82,952	\$ 81	\$ 13,734
Cash in Bank					44,000
Investments (Certificates of Deposit)	19,791				
Encumbered Appropriations	340				
Accounts Receivable					
Total Assets	<u>\$20,131</u>	<u>\$37,224</u>	<u>\$82,952</u>	<u>\$ 81</u>	<u>\$57,734</u>
<u>LIABILITIES, RESERVES, AND FUND BALANCE</u>					
Accrued Support Expenditures					
Outstanding Dividends					
Reserve for:					
Uncleared Collections					
Reverted Appropriations					
Stale-Dated Warrants					
Funds Outside Treasury (Exhibit "F")					
Fund Balance (Exhibit "B")					
Total Liabilities, Reserves & Fund Balance	<u>\$20,131</u>	<u>\$37,224</u>	<u>\$82,952</u>	<u>\$ 81</u>	<u>\$57,734</u>

See notes to financial statements

DEPARTMENT OF BUSINESS REGULATION

COMBINED STATEMENT OF CHANGES IN FUND BALANCE
Year Ended June 30, 1976

	General Fund	Milk Control (ERA)	Food Distributors (ERA)
Fund Balance July 1, 1975	\$ -0-	\$ 18,628	\$ 54,338
Receipts and Additions:			
Appropriations	763,061	174,950	47,847
Revenues (Exhibit "C")	<u>336,065</u>	<u>184,043</u>	<u>65,688</u>
Total Balance and Additions	1,099,126	377,621	167,873
Expenditures and Deductions:			
Expenditures (Exhibit "D")	727,508	172,016	37,492
Reversions to State	<u>371,618</u>	<u>178,381</u>	<u>59,648</u>
	1,099,126	350,397	97,140
Fund Balance June 30, 1976	<u>\$ -0-</u>	<u>\$ 27,224</u>	<u>\$ 70,733</u>

See notes to financial statements.

DEPARTMENT OF BUSINESS REGULATION

COMBINED STATEMENT OF REVENUES - BUDGET AND ACTUAL
 Year Ended June 30, 1976

	General Fund		Milk Control (ERA)		Food Distributors (ERA)	
	Budget	Actual	Budget	Actual	Budget	Actual
Licenses & Permits	\$118,950	\$122,184	\$ 161,000	\$ 182,563	\$ 55,000	\$65,688
Taxes	190,700	213,881	1,000	1,180	—	—
Service Fees	—	—	—	—	—	—
Fines	—	—	—	—	—	—
	<u>\$309,650</u>	<u>\$336,065</u>	<u>\$162,000</u>	<u>\$184,043</u>	<u>\$55,000</u>	<u>\$65,688</u>

See notes to financial statements

DEPARTMENT OF BUSINESS REGULATION

COMBINED STATEMENT OF EXPENDITURES - APPROPRIATIONS AND ACTUAL

	General Fund		Milk Control (ERA)		Food Distributors (ERA)	
	Appropriations	Actual	Appropriations	Actual	Appropriations	Actual
Centralized Services Program	\$ 83,796	\$ 83,731	\$ 19,621	\$ 19,077	\$ 5,224	\$ 4,936
Weights & Measures Program	205,946	190,913				
Financial Program	382,339	372,417				
Trades Regulation Program						
Milk Control Program	51,083	45,527	155,329	152,939		
Consumer Protection Program						
Private Postsecondary Education Program	39,897	34,920				
	<u><u>\$763,061</u></u>	<u><u>\$727,508</u></u>				
					<u><u>\$174,950</u></u>	<u><u>\$172,016</u></u>
					<u><u>\$47,847</u></u>	<u><u>\$37,492</u></u>

See notes to financial statements

DEPARTMENT OF BUSINESS REGULATION

ALL FUNDS STATEMENT OF EXPENDITURES
For Year Ended June 30, 1976

	Centralized Services	Weights & Measures	Financial	Trade Regulation	Milk Control	Consumer Protection	Private Post-Sec. Education	Total
Personal Services:								
Salaries	\$ 82,735	\$110,723	\$217,262	\$24,819	\$ 93,398	\$34,242	\$25,288	\$618,467
Other Compensation			725	125	2,075		100	3,025
Employee Benefits	<u>8,875</u>	<u>16,124</u>	<u>31,229</u>	<u>3,206</u>	<u>11,244</u>	<u>4,298</u>	<u>3,252</u>	<u>78,935</u>
Total	91,610	126,847	279,216	28,150	107,417	38,540	28,647	700,127
Operating Expenses:								
Contracted Services	2,193	5,017	1,598	169	8,929	428	263	18,597
Supplies & Materials	876	12,079	1,973	788	3,112	1,637	1,463	21,928
Communications	996	3,029	2,486	793	3,611	1,767	942	13,624
Travel	149	20,426	78,815	503	24,077	1,316	915	126,101
Rent	10,584	6,436	4,902	1,338	4,260	1,338	1,338	30,196
Utilities		523						523
Repairs & Maintenance	494	7,614	842	62	820	62	38	9,932
Other	10	144	1,038	36	133	133	189	1,683
Total	15,202	55,268	91,654	3,689	44,942	6,681	5,148	222,584
Equipment	<u>932</u>	<u>8,798</u>	<u>1,544</u>	<u>717</u>	<u>580</u>	<u>306</u>	<u>1,125</u>	<u>14,005</u>
TOTAL	<u>\$107,744</u>	<u>\$190,913</u>	<u>\$372,417</u>	<u>\$32,556</u>	<u>\$152,939</u>	<u>\$45,527</u>	<u>\$46,920</u>	<u>\$937,016</u>

See notes to financial statements

DEPARTMENT OF BUSINESS REGULATION

TRUSTEE BANK ACCOUNT

STATEMENT OF CHANGES IN RESERVE FOR TRUST ACCOUNTABILITY
For Year Ended June 30, 1976

Balance July 1, 1975 \$ 6,882.86

Revenue:

Oil & Gas Royalties	\$14,970.94
Interest	2,550.00
Grazing Lease	<u>150.00</u>
Total Available	<u>17,670.94</u>
	24,553.80

Expenditures:

Property Taxes	\$ 16.46
Dividends	11,691.32
Professional Fees	<u>35.00</u>
	<u>11,742.78</u>

Balance June 30, 1976 \$12,811.02

See notes to financial statements

NOTES TO FINANCIAL STATEMENTS

DEPARTMENT OF BUSINESS REGULATION OF THE
STATE OF MONTANA
June 30, 1976

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Department conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of the significant policies:

Basis of Accounting - The modified accrual basis of accounting, under which expenditures are recorded when the liability is incurred and revenues are recorded when received in cash unless susceptible to accrual, i.e. measurable and available to finance the Department's operations, or of a material amount and not received at the normal time of receipt, is followed for all funds.

Encumbrances - Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is employed in all funds. The balances in the reserve for encumbrances account which is negligible at June 30, 1976, is included in accrued support expenditures.

Appropriations - Appropriations are made by the legislature for operating purposes of the Department. Expenditures against these appropriations are funded by the corresponding funds at the state level.

General Fixed Assets - The Department has maintained comprehensive records of its general fixed assets. Assets purchased are recorded as expenditures in the various funds in the year of purchase or encumbrance. Such assets are not capitalized at cost in a general fixed assets group of accounts.

Depreciation is not provided on general fixed assets.

Vacation Pay and Sick Pay - The value of unused vacation and unused sick leave accumulated by employees is not recorded as a liability. Each permanent employee can accumulate and carryover a maximum of two years vacation into a new calendar year. Upon termination, unused accumulated vacation and sick leave (on a 25% basis) are redeemed in cash to qualifying permanent employees. The amount of liability associated with unused, accumulated vacation and sick leave at June 30, 1976, was not readily determinable.

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

DEPARTMENT OF BUSINESS REGULATION OF THE
STATE OF MONTANA
June 30, 1976

Retirement Plan - Employees of the Department are covered by the contributory Public Employees Retirement Systems. The Department's contribution to the plan amounted to \$30,422 for the year ended June 30, 1976. The unfunded past service costs and the actuarially computed value of vested benefits are not readily available for members of the plan employed by the Department.

NOTE B - RENTALS

Total rent expense for the year ended June 30, 1976, amounted to \$30,196. The Department has entered into two building lease agreements which provide for future rental payments of \$2,120 per month through November, 1981 and \$373 per month through April 1984.

NOTE C - CONTINGENT LIABILITIES

The Department is involved in two pending law suits. The suits are primarily related to enforcement provisions of the Revised Codes of Montana. It is the opinion of the Department's counsel that no material financial loss will be sustained by the Department.

AGENCY REPLY

State of Montana

Thomas E. Judge
Governor

Montana State Auditor

NOV 16 1976

Department of Business Regulation

Harold Pitts, Director
805 North Main, Helena, Montana 59601
Telephone 449-3163

MONTANA LEGISLATIVE AUDITOR

November 16, 1976

Ms. Ellen Feaver
Deputy Legislative Auditor
Office of the Legislative Auditor
State Capitol
Helena, Montana 59601

Re: Audited Financial Statements
Department of Business Regulation
June 30, 1976

Dear Ms. Feaver:

Our department has reviewed in depth the audit that accompanied your letter of November 9, 1976. Basically we cannot take exception to the audit, but for clarification purposes we would like to make a few suggestions. In the following paragraphs we will refer to the numbered sheet of the audit and the paragraph in question, making then suggestions and remarks for clarification.

First we refer to Vern Hoven & Company's letter to you dated September 21, 1976 and in particular to the second paragraph. While it might be required by generally accepted accounting principles, nevertheless it has not been required by Montana law or regulation. We refer you to Management Memo 70-17 issued back on June 26, 1970 that outlines the records to be maintained by various departments. Our records coincide with this management memo. We do understand there will be forthcoming shortly a new chapter numbered 2-1700 of the Montana Administrative Manual that will perhaps revise the format in question.

Page 1 - Cash Receipts and Revenues - under "Recommendation" the audit refers to Chapter 2-1210.28 entitled "Transfer Receipts" of the Montana Administrative Manual, and we refer to paragraph 2 of the numbered chapter in the second line that indicates "if practicable," certain controls are to be established. We feel in our small department that our logging structure is an adequate record and control of monies being received and eventually deposited.

Page 2 - Employee Leave - for your files we are attaching a copy of the form we developed referred to in this paragraph.

Page 5 - Financial Division - technically all statements made on this page

are correct, but, as you realize, at times "logic" enters the picture. For instance in the paragraph numbered 1 it refers to an annual report covering state chartered building and loan associations. We have three very small uninsured S&L's, and because of this the report would be of little or no value. We will give consideration to legislation removing this requirement because at present and in the foreseeable future the information accumulated would be of little or no value. Referring to the paragraph numbered 3, we have many very small credit unions where records are maintained by a working individual in his spare time, and we have felt that as a state agency we should be considerate of people who are struggling to keep going and building up a credit union. Again, while technically correct, extensions should not be granted, but we conceive in the future that we will have to give consideration occasionally to short term extensions.

Page 6 - Milk Control Division - this is another case where at times good judgment must be exercised over the absolute letter of the law. The number of violations involved is small, and we would like to continue working with the milk industry towards full compliance with the law.

Page 8 - Combined Balance Sheet - we suggest the changing of two different headings on this report. One now reads "Business Regulation (ERA)"; it should read "Milk Control (ERA)." Moving two columns over to the right, the column is headed "Milk Control (ERA)"; it should read "Business Regulation (RA)." "

Page 9 - Exhibit B - the figures on this page are correct but some of the terminology is not that used in state accounting. We believe for some reviewing this there could be a misinterpretation, and we refer to one heading under "Expenditures and Deductions" showing "Reversions to State." Again, while the figures are correct, these are not funds that are going to revert to the State of Montana. The General Fund appropriations not used revert back to the General Fund, but the overage in earmarked revenue accounts do not revert back to the state but are allowed to accumulate in that particular account. We refer you to page 11 of the audit where there is a breakdown between general funds and earmarked revenue funds for this department.

Page 10 - Combined Statement of Revenues - in the title of this page plus in the three respective columns the word "budget" has been used whereas it should really read "estimated." Simply, these are the estimated figures and not budget figures.

Page 13 - Exhibit F - this account is in connection with the liquidation of the Bank of Plevna that discontinued business back in approximately 1932.

Ms. Ellen Feaver
November 16, 1976
Page 3

Just this month we have paid in full both principal and interest to all depositors, and we have now approached the court for directions in liquidating the remaining assets. The district judge in Forsyth, Montana, who has had jurisdiction has tentatively agreed that he would appoint a trustee and the assets would be turned over to him to eventually be distributed to the original stockholders of the bank. We would expect in the next 90 days the funds will all be disposed of so far as our department is concerned, and as mentioned this will be under the jurisdiction of the district court.

Page 14 - Subtitle "General Fixed Assets" - when fixed assets are ordered, we get a purchase order which is numbered. When the asset is received, it is checked in and recorded in our inventory which gives a full description including a serial number if there is one, the purchase order number, the date received and the cost of purchase. We have a very detailed record of all fixed assets and their cost, but we do not establish a depreciation schedule.

Again referring to page 14, the last paragraph entitled "Vacation Pay and Sick Pay," they seem to have combined to a certain extent these two items and we believe they should be addressed separately. Referring to accumulated annual leave, we have been operating as required under Chapter 148, Section 59-1002 of the Revised RCM 1947 which reads "Accumulation of Leave. Annual vacation leave may be accumulated to a total not to exceed two (2) times the maximum number of days earned annually as of the last day of any calendar year." Pertaining to sick leave payment, we refer to Section 59-1008, RCM 1947 as changed effective July 1, 1975, which reads "This section now requires the computation of an eligible employee's sick leave payment upon termination to be equal to one fourth (1/4) of the accumulated unused sick leave credits multiplied by the salary or wage rate at the time of termination." Again we are operating exactly within the framework of this section.

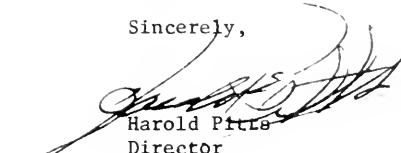
Page 15 - Retirement Plan - while we do maintain a record of each employee's contribution to the Public Employees Retirement System, we do not have the accumulated totals. Annually the PERS furnishes every participant an itemized statement showing the carry-forward figure, the year's contributions, any pay-back made, interest, and finally the grand total in the individual's account. These statements are made as of June 30 of each year, but in the meantime if an employee has a question, he can contact PERS for the answers.

Going ahead we will adjust our operation to include the recommendations made. We will appreciate being notified as soon as possible when the

Ms. Ellen Feaver
November 16, 1976
Page 4

audit will be reviewed by the Legislative Audit Committee.

Sincerely,



Harold Pitts
Director

mrl

Enclosure: Verification of Employee Sick and Annual Leave Form

State of Montana

Thomas H. Judge
Secretary

Department of Business Regulation

Human Resources
805 North Main, Helena, Montana 59601
Telephone 449-3163

February 19, 1976

Please verify your total sick and vacation leave hours to see if your records confirm our balances.

As of February 1, 1976, our records show your total sick leave as being _____ hrs. and your vacation leave as _____ hrs.

If your records do not agree with ours, please contact Centralized Services.

Thank you.

Sincerely,



Isabelle Pistelak
Administrator

jt

